

Bailard Wealth Management

This brochure provides information about the qualifications and business practices of Bailard Wealth Management. If you have any questions about the contents of this brochure, please contact our chief compliance officer, Janis Horne, at 650.571.5800 or jhorne@bailard.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Bailard, Inc. is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about Bailard, Inc. and Bailard Wealth Management is available on the SEC's website at www.adviserinfo.sec.gov.

June 29, 2012

Bailard

INVESTING. REDEFINED.®

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ITEM 2 – MATERIAL CHANGES

A separate document summarizing the material changes made to this brochure from June 29, 2011 to June 29, 2012 has been filed with the SEC as an exhibit to this brochure.

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ITEM 4 – ADVISORY BUSINESS

Firm Overview

Bailard, Inc. (Bailard) is a registered investment adviser located in Foster City, California (near San Francisco). This brochure relates to Bailard Wealth Management, a division within Bailard, that provides investment advisory and financial planning services to investors seeking multi-asset diversification. A separate division within Bailard, referred to as “Bailard Institutional,” is a discretionary institutional asset manager that offers single asset strategies to investors on a stand alone basis. It manages separate accounts for institutional clients and provides advisory and sub-advisory services to pooled investment vehicles. A copy of the Bailard Institutional brochure may be requested by contacting a member of Bailard’s Compliance team at (650) 571-5800.

Bailard (formerly Bailard, Biehl and Kaiser prior to its re-naming in 2005) was founded in 1969 by three graduates of the Stanford Graduate School of Business. From its inception, Bailard had a focus on education and providing clients with diversification over multiple asset classes. It has both Wealth Management and Institutional divisions. Among other things, Bailard Institutional provides proprietary investment strategies to Bailard Wealth Management clients.

Bailard has a total staff of 49 employees. We maintain a business discipline designed to attract and retain top investment talent, and the average tenure among Bailard’s 28 key professionals is 19 years. Seventy-three percent of the professional staff has advanced degrees and/or industry designations (PhD, Masters, CFA, CFP®). Led by Chief Executive Officer Peter M. Hill, Bailard’s senior management team is comprised of six individuals with an average tenure of 24 years.

Ownership Structure

Bailard is a wholly-owned subsidiary of BB&K Holdings, Inc., a privately owned C-Corporation. We view our independence as the surest way to serve our clients and to provide the scope, stability and alignment of interests for continued success. Thirty-three current employees own nearly two-thirds of the firm, with the remaining shares owned by private investors and former employees. BB&K Holdings, Inc. is subject to the oversight of a board of directors which consists of three independent directors and Bailard employees Peter M. Hill, Chairman, Ronald W. Kaiser and Burnie E. Sparks, Jr.

Services

Bailard Wealth Management offers three different investment advisory services: Bailard Advisory Service, MY-FLEX® and MY-KIN®.

BAILARD ADVISORY SERVICE

Bailard has been advising high net worth investors for forty years. We created our Bailard Advisory Service to help these investors address the complicated issues surrounding wealth, legacy, and philanthropy. Our long-standing client relationships are built upon a high level of service, trust and straightforward dialogue. The goal of the Bailard Advisory Service is to provide clients with a confidence that allows them to go about doing what they enjoy most.

As investment advisers, it is our mission to “pursue the perfect portfolio” for every investor—one that seeks to optimize the tradeoff between risk and return that is appropriate for them by diversifying over multiple asset classes. Our advice is based on the needs and objectives of the specific client. Whether the goal is capital preservation or aggressive wealth generation, we apply our professionalism and rigorous discipline to structure investment portfolios to help accomplish these specific objectives.

Investment portfolios may include a mix of traditional assets (core U.S. stocks, foreign stocks, U.S. bonds and cash equivalents), as well as more specialized components such as tactical assets, emerging markets, small-cap value stocks, growth stocks, commercial real estate, and alternative investments. Tax issues as well as risk tolerance are considered in building portfolios. As active managers, we make shifts in asset allocations in response to changing economic and market conditions.

Our financial planning services are available to clients who choose to engage in this process. After four decades of providing financial planning advice, we can draw upon a strong library of knowledge and experience. Typically, this is a very fluid process, where the financial plan is reviewed in response to changes in personal or financial circumstances.

Investment restrictions may be established by clients with regard to their accounts managed by Bailard. Restrictions may be placed on purchases and sales of certain securities, industries, sectors and asset classes, etc. Clients may also provide input regarding income tax recognition, minimization or maximization.

Under certain circumstances, Bailard will provide investment services for clients without first undertaking a thorough review of the client’s circumstanc-

es, financial and otherwise. Such circumstances are limited to those clients who instruct us to disregard these circumstances and/or to those corporate pension and profit-sharing plans which are subject to ERISA.

MY-FLEX® SERVICE

Bailard also offers wealth management services through its managed individual flexible investment service, MY-FLEX®. The Bailard MY-FLEX® service provides investors with portfolios of \$500,000 or more with active investment management, a choice of strategies, customization of portfolios and tax sensitivity, all at a relatively low cost. The Bailard MY-FLEX® service utilizes the online platform, FOLIO^{fn} (“FOLIO”). FOLIO is an online broker/custodian that executes the trades for the MY-FLEX® strategies.

Our offerings on the MY-FLEX® service include conservative, moderate growth and aggressive growth portfolios with either a tax exempt or a taxable option. As active managers, we make shifts in asset allocations in response to changing economic and market conditions. Clients may impose restrictions on investing in specific securities or in tax minimization procedures.

MY-KIN® SERVICE

The MY-KIN® service mirrors the MY-FLEX® service but is available only to accounts associated with Bailard Advisory Service clients. These accounts are generally of smaller size than MY-FLEX® or Bailard Advisory Service accounts.

CLIENT ASSETS UNDER MANAGEMENT

The assets under management for Bailard Wealth Management as of March 31, 2012 were \$1.08 billion. Of that total, \$1.07 billion was discretionary assets and \$0.01 billion was non-discretionary assets. Bailard’s total assets under management as of March 31, 2012 were \$1.91 billion (including both discretionary and non-discretionary assets). Please note that there is overlap in reported client assets in the Bailard Wealth Management and Bailard Institutional brochures to the extent that clients of Bailard Wealth Management invest in Bailard Institutional’s proprietary products.

ITEM 5 – FEES AND COMPENSATION

Our fee schedules vary depending on the service or product in which a client invests. The standard annual fee schedule for each product and service is set forth below. From time to time we may negotiate the fees charged to an account.

Bailard Wealth Management Fees

Bailard Advisory Service

- 1.00% of the first \$5,000,000
- 0.75% of the next \$5,000,000
- 0.50% for amounts over \$10,000,000
- Minimum annual fee of \$20,000

Fees are payable quarterly in advance based on the market value of investments at quarter end, net of any credits (see below).

MY-FLEX®

- 1.0% of assets under management
- Minimum annual fee of \$5,000

Fees are payable monthly in arrears based on average daily net assets, net of any credits (see below).

MY-KIN®

- 1.0% of assets under management

Fees are payable monthly in arrears based on average daily net assets, net of any credits (see below).

Private Fund Fees

Bailard Real Estate Investment Trust I (REIT I)

- 0.85% management fee

Bailard Real Estate Investment Trust II (REIT II)

- 0.85% management fee

Bailard Emerging Opportunities Fund I, LP (Previously known as Bailard Emerging Life Sciences Fund I, LP)

1% annual management fee

20% annual performance allocation based on net realized and unrealized appreciation (subject to a high water mark)

Management fees are paid monthly in arrears based on month-end valuations. Performance allocation is payable to the Fund's general partner which is an affiliate of Bailard.

Bailard Long-Short Offshore Fund, Ltd.

1% annual management fee

20% annual performance fee based on net realized and unrealized appreciation (subject to a high water mark)

Management fees are paid monthly in arrears based on month-end valuations.

Bailard Long-Short Accredited Investor Fund, LP

1% annual management fee

20% annual performance allocation based on net realized and unrealized appreciation (subject to a high water mark)

Management fees are paid monthly in arrears based on month-end valuations. Performance allocation is payable to the Fund's general partner which is an affiliate of Bailard.

Bailard Long-Short Onshore Fund, Ltd.

1% annual management fee

20% annual performance allocation based on net realized and unrealized appreciation (subject to a high water mark)

Management fees are paid monthly in arrears based on month-end valuations. Performance allocation is payable to the Fund's general partner which is an affiliate of Bailard.

Mutual Fund Fees

As sub-adviser to the HighMark International Opportunities Fund, the HighMark Cognitive Value Fund and the HighMark Enhanced Growth Fund (collectively, the

“HighMark Funds”), Bailard receives 50% of the management fees collected by Funds’ adviser, HighMark Capital Management (“HighMark”). HighMark’s fee schedule, which is based on the average daily net assets of each fund, is as follows:

HighMark International Opportunities Fund

- 0.75% up to \$1 billion
- 0.70% over \$1 billion

HighMark Enhanced Growth Fund

- 0.75% on the first \$500 million
- 0.70% on the next \$500 million
- 0.65% over \$1 billion

HighMark Cognitive Value Fund

- 0.75% on the first \$500 million
- 0.70% over \$500 million

In addition, HighMark pays Bailard a fiduciary fulfillment fee (based on the average daily net assets of the HighMark Funds held by Bailard’s investment advisory clients) that is equal to (i) the proportion of the advisory fee that is payable to HighMark that is attributable to Bailard’s advisory clients holding Class M shares minus (ii) the portion of the sub-advisory fee payable to Bailard that is attributable to Bailard’s advisory clients holding Class M shares. This fee arrangement enables Bailard to reduce, in the manner described later in this section, the investment advisory fees that it charges its advisory clients who invest in the HighMark Funds.

General

Quarterly management fees for Bailard Advisory Service clients are payable in advance based on the market value of investments at quarter end, net of any credits. We generally bill Bailard Advisory Service clients during the month after each calendar quarter end. All clients receive invoice(s) showing the fee calculation. Clients may choose to have their fees deducted from their custody account(s) or to be billed directly. Most clients have their fees deducted directly from their custody account(s). Their invoices indicate that the fees have been withdrawn from their accounts.

All MY-FLEX® and MY-KIN® fees are automatically deducted from the client's Folio account. These fees are payable on a monthly basis in arrears.

To avoid "double billing", all Bailard Wealth Management clients investing in any of the HighMark mutual funds (and all Bailard Advisory Service Clients investing in REIT I or REIT II) receive a credit against their investment management fee for fees paid within these funds. The credit is calculated by applying each fund's management fee to the daily balance of the client's investment during the prior quarter. The amount of the credit will not exceed the amount payable directly to Bailard. Our calculation method may result in higher or lower fees than if the funds were excluded from the calculation.

Bailard does not include the balances held in the Bailard Long-Short Funds or the Bailard Emerging Opportunities Fund in the computation of Bailard Advisory Service management fees. Bailard does not include the balances held in REIT I or REIT II in the computation of MY-FLEX® or MY-KIN® fees. However, the market value of these private funds does count toward the calculation of minimum annual fees and fee break points where relevant.

In circumstances where a Bailard Advisory Service client begins or terminates an account during the quarter, we prorate their management fee for that quarter and either issue a partial bill or a refund of fees previously paid in advance. MY-FLEX® and MY-KIN® clients pay their management fee monthly in arrears and in circumstances where they terminate, they will pay a partial bill for the month. Clients may terminate their relationship with written notice at any time.

In some instances, such as concentrated stock positions, low basis securities or client directed investments, Bailard may place a security in a non-billable category called "Special Assets". No management fee is assessed on these securities.

Other Fees and Expenses:

Financial Planning

For Bailard Advisory Service clients, financial planning services are included in their management fees. However, from time to time we provide hourly financial planning services at \$250/hour to individuals who are not wealth management clients. We charge a reduced rate of \$175/hour to family members of clients.

Financial Advisory Fee

In addition to our normal services, Bailard has a few clients who require

specialized investment analysis or projects and/or on-going financial planning projects. In these instances, we charge a retainer ranging from \$2,000-\$15,000 annually depending on complexity.

Other

In addition to their management fees, Bailard Wealth Management clients may pay the following fees and expenses:

- Custody fees charged by the bank or brokerage firm where the assets are held
- Commission costs and other transaction fees on trades executed
- Fees and expenses charged by mutual funds, Exchange Traded Funds or private vehicles not managed or sub-advised by Bailard
- Margin interest, where applicable. Bailard does not recommend the use of margin, but will counsel clients on its use if a margin transaction is specifically requested.

In addition to their management fees and performance fees or allocations, investors in Bailard's private funds and sub-advised mutual funds bear all of the funds' operating expenses. These expenses generally include brokerage and other investment-related expenses, in some cases certain research expenses, as well as overhead and administrative expenses, including, but not limited to, filing and legal expenses, administration, custody, tax preparation expenses and the fees associated with an annual audit.

A more complete description of the fees to be paid to Bailard and its affiliates in connection with each individual fund investment, as well as the expenses of each fund, is available in the offering documents and other governing documents of such fund. These documents are made available to each eligible prospective investor before, or by the time of, any investment in the fund.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Bailard and its affiliates may receive performance-based fees or allocations (collectively, “Performance Fees”) from some of the funds and accounts that it manages. These Performance Fees typically are based on a share of an investor’s realized and unrealized profits above a defined level. Bailard also charges other types of fees, including fees that are based on a fixed percent of the assets under our management. (See Item 5 – Fees and Compensation, for more information about the different types of fees we charge for our services.) The Performance Fees applicable to certain client accounts and funds may create an incentive for Bailard Wealth Management to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, the Performance Fee may create an incentive for Bailard Wealth Management to favor client accounts and funds that charge Performance Fees (which are likely to be higher fee paying accounts) over other client accounts or funds in the allocation of investment opportunities.

Bailard has adopted Side-by-Side Management policies and procedures to help ensure that all of the accounts we manage are treated fairly regardless of the types of fees that they pay. Among other things, these policies and procedures state that:

1. We will conduct quarterly audits of transactions in Performance Fee accounts versus non-Performance Fee accounts to help ensure that there is no pattern of the former receiving preferential treatment.
2. Our Portfolio Managers will sign quarterly certifications that all trading has been in compliance with each accounts’ investment strategy and that all clients were treated equitably and fairly.

ITEM 7 – TYPES OF CLIENTS

Bailard's Wealth Management services are provided to a broad range of client types, including: high net worth individuals and families, foundations and charitable organizations, pension & profit sharing plans and trusts.

The typical Bailard Wealth Management client seeks an ethical, trusted and independent adviser and appreciates the continuity of long-term professional relationships. In addition, most Bailard clients:

- Effectively delegate investing responsibility
- Value a fully integrated solution to wealth management
- Embrace a diversified strategy
- Value a team approach, combining personal relationships and access to research and senior management

The minimum recommended account size for the Bailard Advisory Service is \$2,000,000, but this is negotiable. The MY-FLEX® Service minimum account size is \$500,000, but this is negotiable. The MY-KIN® Service is available only to accounts associated with Bailard Advisory Service clients, and there is no minimum account size.

In order to be eligible to invest in Bailard's private funds, prospective investors must be "accredited investors" as defined in Regulation D under the Securities Act of 1933, and for certain of the Bailard private funds, "qualified purchasers" as defined in the Investment Company Act of 1940.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Investment Strategies

We manage diversified portfolios across the risk spectrum for our wealth management clients. We carefully construct diversified portfolios of assets that have low correlations with one another with the intention of enhancing return and reducing volatility. Our process begins with the creation of a longer-term strategic portfolio which consists of a mix of low and high volatility assets. These generally include cash and cash equivalents, fixed income, long-short strategies, domestic and international equities, commercial real estate and some specialized strategies. Our strategic mix of assets changes based on economic, valuation and market factors; in general, we don't expect frequent changes to this mix. In addition, we take advantage of shorter term opportunities in the markets by increasing or decreasing our clients' exposure to individual asset areas through a tactical assets portfolio. Our long-short strategy, commercial real estate and specialized strategies are only used for those wealth management clients for whom they are appropriate.

We employ a combination of fundamental and quantitative research analysis in the management of our investment strategies. Our quantitative research involves building proprietary, multi-factor models that enable the portfolio construction for our long-short and long-only equity strategies. Our fundamental research expertise is used in the analysis of our commercial real estate and our specialized strategies. We utilize a broad basket of individual holdings, exchange traded funds, and pooled investment vehicles to deliver a diversified portfolio to our clients. Our investments are diversified across asset classes as well as within each asset area.

Summary of Certain Risks

Investing in securities involves risk of loss that clients should be prepared to bear. We create diversified portfolios with the goal of moderating some of these risks, but can make no assurances that our clients will not suffer losses. There can be no assurance that Bailard will meet its investment objectives.

The following is a brief summary of certain of the more significant risks associated with Bailard Wealth Management's investment strategies. For the Bailard affiliated funds, please see the offering memorandum or equivalent offering document for a more detailed description of the principal risks associated with

Bailard's investment strategies as well as other risks associated with an investment in each fund. For the HighMark funds, please see the prospectus and other fund documents for information regarding the risks associated with investing in the funds.

Asset Allocation Risk:

Our asset allocation may not be correctly positioned at all times, and we can give no assurances that it will achieve its investment objectives.

General Risks:

Investments selected directly by Bailard may decline in value for any number of reasons, including changes in the overall market for equity and/or debt securities, and factors pertaining to particular portfolio securities, such as management, the market for the issuer's products or services, sources of supply, technological changes within the issuer's industry, and the availability of additional capital and labor. In addition, our investments may be affected by general market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may cause unexpected volatility or even illiquidity and can result in losses. The value of our clients' investments will fluctuate, and there is no assurance that Bailard or an underlying manager will achieve any client's investment objective.

Foreign Investment Risk:

In addition to the possible loss of investments due to market movements, international investments might suffer losses due to unfavorable exchange rate movements caused by economic or political uncertainty in other countries. In some cases, financial statement information might not be readily available or might not be reliable for certain foreign markets. International accounting standards might be different from U.S. accounting standards and financial data might be subject to misinterpretation. Trading in international markets can be more expensive than trading in domestic markets. Stock markets of certain countries, particularly emerging and frontier markets, may be illiquid and settlements can be delayed.

Liquidity Risk:

Investments in small and micro-cap global equities might suffer from illiquidity and can be expensive to trade. Investments in these instruments may be illiquid or hard to value. Investments in commercial real estate are illiquid, and investors

should not include these investments in their liquid pool of assets.

Investment Style Risk:

Investments in a particular style may underperform other styles of investing, or the overall market. Exposure to these types of investments can lead to underperformance.

Size Risk:

Investments across various market capitalizations might result in underperformance compared to the overall market. Investments in small and micro cap stocks might be illiquid, and might be more expensive to trade.

Sector Risk:

Investments in one particular sector are not considered to be diversified and should not be treated as a complete investment program. Individual sector investments can be speculative and could be volatile.

Exchange Traded Funds (ETFs) Risks:

ETFs charge their own fees and expenses. Investments in these instruments will bear additional costs such as duplicative management fees, brokerage commissions and other related charges. In addition, from time to time, there might be a significant discrepancy between the net asset value of the underlying investment and the price at which the ETF trades on an exchange. In some circumstances, ETFs can be thinly traded and less liquid.

Short Selling Risk:

A short sale theoretically involves a risk of unlimited loss: the price at which a position might have to be covered could rise without limit. There can be no assurance that investors will not experience losses on short positions, and there can be no assurances that long positions would appreciate enough in value to offset the loss on the short positions.

Valuation Risk:

In order to value the assets and liabilities of Bailard's private funds and accounts managed by Bailard, Bailard may rely on information provided by employees or outside parties. To the extent the information received by Bailard is inaccurate or unreliable, the valuation of account assets and liabilities may be inaccurate. Commercial real estate is subject to the risk of inexact valuations. Appraised val-

ues tend to lag market developments.

Counterparty Risk:

The assets and liabilities of funds and accounts managed by Bailard are held by brokers and other custodians and counterparties. There is a risk that any of such counterparties could become insolvent and/or subject to insolvency proceedings. Such insolvency would impair the liquidity and operational capabilities of the affected fund or account.

Higher Frequency Trading Risk:

Some strategies involve high turnover, which involves buying and selling securities very frequently, without holding them for long periods of time. Such strategies can be costly to execute due to the high volume of trading and are subject to poor implementation on trading.

Derivatives Risk:

Trading and investing in derivatives can be highly speculative and can entail risks that are greater than the risks of investing directly in securities or other assets. Prices of equity derivatives are generally more volatile than the rates, indices or asset prices on which they are based.

Leverage Risk:

The use of leverage, or borrowing, has the potential to increase the potential return and risk of an investment. If an investment goes up in value, the presence of leverage creates a positive outcome in that the leveraged return to the investor is greater than the unleveraged return. The opposite is true if the investment goes down in value. The presence of leverage in such cases exacerbates the negative outcome for the investor.

ITEM 9 – DISCIPLINARY INFORMATION

Bailard does not have any legal or disciplinary events to disclose.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer

In 1988 Bailard established Bailard Fund Services, Inc. (“BFS”), a wholly owned subsidiary which is registered as a general broker-dealer specializing in the marketing and placement of mutual fund shares, private fund interests and corporate securities. All registered representatives of BFS are employees of Bailard.

BFS markets and facilitates the distribution of private funds that are sponsored and managed by Bailard. BFS also currently assists in the distribution of Class M shares of the HighMark International Opportunities Fund, the HighMark Cognitive Value Fund and the HighMark Enhanced Growth Fund. BFS may receive a placement fee in connection with the marketing and distribution of interests in the Bailard affiliated funds. The last time BFS received a placement fee was in 2001. BFS does not execute portfolio transactions.

Private Funds

Bailard manages a number of affiliated private funds, which includes two REITs, a specialized emerging opportunities fund and three long-short funds (including an offshore feeder fund). See Item 5 – Fees and Compensation, for a list of each such Bailard fund.

Bailard affiliates also serve as the general partner for some of these private funds. Bailard General Partners I, Inc. is the general partner of the Bailard Long-Short Accredited Investor Fund, LP, the Bailard Long-Short Onshore Fund, LP (the “Onshore Fund”) and the Bailard Long-Short Master Fund, LP (the “Master Fund”). The Onshore Fund is a feeder fund in a master-feeder structure that seeks to achieve its objectives by investing its assets in the Master Fund.

Bailard General Partners I, Inc. is also the general partner of the Bailard Emerging Life Sciences I GP, LP, which in turn is the general partner of the Bailard Emerging Opportunities Fund, LP (previously known as the Bailard Emerging Life Sciences Fund, LP).

For more information about the potential of a conflict of interest regarding Bailard’s private funds, please see Item 11.

ITEM 11 – CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics:

Bailard has adopted a Code of Ethics (the Code) in accordance with SEC rule 204A-1 under the Investment Advisers Act of 1940. The Code addresses, among other things:

1. General principles of business conduct, including requirements that employees comply with their fiduciary obligations to clients and applicable securities law;
2. Personal securities trading policies and procedures; and
3. Specific provisions relating to inside information, confidentiality and gifts.

Each employee of Bailard receives a copy of the Code and is notified of any amendments to it. Bailard employees may buy and sell securities recommended for clients. The Code's personal securities trading policies and procedures help ensure that employees do not personally benefit from their advance knowledge of client transactions. The personal securities trading provisions of the Code apply to employees and to any account in which they have a beneficial interest (typically including members of their household). The Code requires employees to:

1. File initial holdings reports
2. Pre-clear all trades that do not qualify for an exemption
3. File quarterly transaction reports
4. File an annual holdings report
5. Sign an annual certificate of compliance with the Code
6. Report any violations of the Code promptly to Bailard's Chief Compliance Officer

The preclearance requirements and trading restrictions of the Code do not apply to, among other things, *de minimus* transactions, investments in the three Bailard sub-advised mutual funds and investments in exchange-traded funds. *De minimus* transactions are: 1) fixed-income transactions with a par value of \$50,000 or less; and 2) equity transactions with 1,000 or less shares and a market value of \$20,000 or less. There is no *de minimus* exemption for purchases or sales of covered securities held by the Bailard Emerging Opportunities Fund.

As a general policy, subject to these exemptions, employees may not:

1. Buy or sell a covered security for at least three days after a research recommendation has been issued to ensure that all orders for clients in that security have been filled
2. Knowingly buy or sell a covered security on the same day that it is being traded in client accounts
3. Profit from the short-term trading of covered securities held by clients
4. Execute a transaction in a covered security on Bailard's Restricted Stock list.

In addition, subject to the above exemptions, Portfolio Managers and Investment Counselors may not buy or sell a covered security within seven calendar days before or after that security is traded in a client account that they manage.

Bailard will provide a copy of its Code of Ethics to any client or prospective client upon request.

Folio Transactions:

MY-FLEX® and MY-KIN® clients are custodied with FOLIO, a registered broker-dealer that is not affiliated with Bailard. These fully discretionary accounts are generally managed in parallel, with transactions being processed on a bundled basis. Bailard, its affiliates and its employees (except a Portfolio Manager) may also establish accounts at FOLIO, collectively the "Bailard Accounts". Bailard will not favor one FOLIO account over any other or over any other client. As an exception to the personal securities trading policies described above and subject to any applicable regulations, Bailard may execute a securities transaction on the same day for client accounts and Bailard Accounts custodied at FOLIO.

Recommendations to Invest in Related Securities

After conducting appropriate due diligence, Bailard may recommend that certain of its Bailard Advisory Service, MY-FLEX® or MY-KIN® clients invest in:

1. Mutual funds for which Bailard is the sub-adviser and receives a sub-advisory fee;
2. Affiliated private funds to which Bailard serves as investment manager, and in some cases an affiliate of Bailard serves as general partner. These funds pay Bailard an investment management fee and, in some cases, pay Bailard or a Bailard affiliate a Performance Fee.

When an investment adviser recommends that its clients invest in securities for which it or an affiliate receives compensation, the investment adviser could be motivated to make a recommendation even when it is not appropriate for the client under the investment adviser's fiduciary standard of care. To help ensure that Bailard makes recommendations that are only in the best interests of its clients, clients who invest in the three mutual funds and in two affiliated REIT private funds receive a credit on their individual billing that approximates their pro-rata share of the management fees paid to Bailard by these investment vehicles. In addition, a client's investments in Bailard's other affiliated private funds are not included in the assets on which the client's billing is based, except for the purpose of determining whether it meets the minimum size requirement. (See Item 5 – Fees and Compensation, for more information.)

Employee Investments in Related Securities

Bailard employees may invest in affiliated private funds that Bailard recommends and purchases for clients. The same price must be paid by employees and clients for transactions occurring in the same funds at the same time. In addition, employees may invest in an affiliated private fund only after clients have been offered the chance to invest and interests remain available.

Bailard employees may also invest in the three mutual funds for which Bailard is the sub-adviser.

Bailard Investments in Securities Recommended to Clients

From time to time, Bailard and some of its affiliates may buy or sell for themselves securities that Bailard also recommends to its clients. This typically happens when:

1. Bailard or its affiliates invest in interests in affiliated private funds that Bailard recommends to certain of its clients; or
2. Bailard or its affiliates buy and sell securities in a portfolio for a new strategy to test certain investment strategies before making those strategies available to its clients.

Bailard has adopted Side by Side Management policies and procedures to help ensure that its clients' accounts are not adversely affected by these investments. These procedures include portfolio manager certifications and quarterly audits of trading activity.

Master-Feeder Structure

As described in Item 10 above, Bailard has established a master-feeder structure whereby two of Bailard's funds, the Onshore Fund and the Offshore Fund, invest substantially all of their assets in another Bailard fund, the Master Fund. Investors in this structure are subject to only one level of management fees and Performance Fees.

Certain Other Potential Conflicts

From time to time, Bailard Wealth Management may buy, sell or sell short the same securities in different client accounts and in our own proprietary accounts (including those of certain affiliates). These trades may occur in the same direction (that is buying the same security in all affected accounts, selling the same security in all affected accounts or selling short the same securities in all affected accounts). These trades may also occur in opposite directions (that is buying the same security in one account (or accounts) while selling it or selling it short in other account(s) or vice versa). We may buy, sell or sell short the same security in different client accounts and in our proprietary accounts as long as the trades: (i) are consistent with the investment strategy for each account; and (ii) do not systematically favor or disadvantage one account or class of accounts over another.

The same Bailard employee may serve as the portfolio manager of accounts with different investment strategies (including competing investment strategies) as long as all such accounts are treated fairly and equitably. Bailard seeks to limit, to the extent that is practicable, the number of instances in which the same individual manages accounts with competing investment strategies.

Bailard may give advice to, and take action on behalf of, any of our clients that differs from that of other clients so long as it is our policy, to the extent practicable, to allocate investment opportunities among our clients fairly and equitably over time.

Bailard has adopted Side by Side Management Policies and Procedures and an IPO Investment and Allocation Policy to help address conflicts of interests.

ITEM 12 – BROKERAGE PRACTICES

General

In the absence of specific written instructions to the contrary from a client, Bailard generally has complete discretion with respect to client accounts without any limitations on its authority. This discretion includes the authority to effect portfolio transactions through accounts with broker-dealers selected by Bailard and to negotiate rates of commissions, commission equivalents, and other transaction-related charges (collectively “commissions”) to be paid.

In selecting broker-dealers to effect portfolio transactions for clients, Bailard seeks best execution, taking into consideration a wide range of criteria, including the broker’s commission rate, execution capability, positioning and distribution capabilities, research and brokerage services, back office efficiency, clearance and settlement capabilities, order-entry systems and order execution reporting, attendant services for clients, ability to handle difficult trades, financial stability and prior performance in serving Bailard and its clients. Bailard need not, however, solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Bailard participates in institutional custody and brokerage programs (“Institutional Custody/Brokerage Programs”) sponsored by certain unaffiliated brokerage firms that are designed for eligible investment advisers, such as Bailard. For some clients for whom a bank may not be a necessary or appropriate custodian, Bailard may recommend clients custody their assets and direct their trades through such brokerage firms, which may provide Bailard with research and brokerage services. Certain of these programs, which are designed for wealth management clients, require that brokerage transactions be executed and/or cleared by the broker-dealer with whom the client assets are custodied or may impose additional costs or restrictions on brokerage transactions executed by other broker-dealers. In these circumstances, Bailard will have limited discretion to select other broker-dealers to effect client transactions and therefore most brokerage transactions are likely to be executed by the broker-dealer sponsoring the Institutional Custody/Brokerage Program in which the client participates. However, Bailard takes into account a broker-dealer’s capability of providing best execution under the broad criteria described above in determining whether to recommend any such Institutional Custody/Brokerage Program. There is no direct link between Bailard’s participation in an Institutional Custody/Brokerage Program and the investment advice it gives to its clients.

Participating clients in these Institutional Custody/Brokerage Programs generally do not pay ongoing custody fees. Rather, the broker-dealer sponsoring the Institutional Custody/Brokerage Program is compensated by the brokerage commissions and spreads generated by the broker-dealer on transactions effected by participants in the Institutional Custody/Brokerage Program. As described below under “Soft Dollars” and in Item 14 – Client Referrals and Other Compensation, Bailard may receive research and brokerage services, as well as certain other benefits from participation in these Institutional Custody/Brokerage Programs. Bailard also may be required to maintain a minimum level of client assets in accounts held by the sponsoring broker-dealer in order to continue to participate in the broker-dealer’s Institutional Custody/Brokerage Program and receive the benefits. Such minimum asset requirements, as well as the receipt of research, brokerage services and such other benefits may create an incentive for Bailard to recommend that clients participate in Institutional Custody/Brokerage Programs. Bailard seeks to mitigate this conflict by maintaining multiple relationships with such broker-dealers and regularly monitoring and evaluating the execution and other services provided by each such broker-dealer. With some programs (such as that sponsored by T.D. Ameritrade, Inc.), the benefits received by Bailard or its personnel do not depend on the amount of brokerage transactions directed to the sponsoring broker-dealer.

Soft Dollars

Where more than one broker is believed to be capable of providing the best execution with respect to a particular portfolio transaction, Bailard may select a broker that provides research or brokerage services to Bailard. Bailard also engages in commission sharing arrangements in which commissions for trades executed by one broker are shared with another broker that provides research or brokerage services to Bailard. In so doing, Bailard may cause a client’s account to pay an amount of commission to a broker greater than the amount another broker would have charged. In selecting such broker, Bailard will make a good faith determination that the amount of commission is reasonable in relation to the value of the research and brokerage services received, viewed in terms of either the specific transaction or Bailard’s overall responsibility to the accounts for which it exercises investment discretion. The receipt of research services or brokerage services from any broker executing transactions for Bailard’s clients will not result in a reduction of Bailard’s customary and normal research activities.

Bailard currently receives proprietary and third party research services in oral, hard copy, electronic, internet and software formats (for both the U.S. and foreign countries), which includes, without limitation, information relating to: (i)

the economic outlook, the political environment, and demographic, social and other trends; (ii) macroeconomic, country, foreign exchange, industry and company specific information (including credit analysis); (iii) current fundamental and trading data for a broad universe of global equities; (iv) historic fundamental and trading data for a broad universe of global equities; (v) daily pricing services; (vi) electronic access to analyst research; (vii) meetings with research providers regarding industries and issuers; (viii) access to meetings and phone calls with company management and industry experts; (ix) data specific to earnings estimate revisions; (x) risk management tools; (xi) portfolio optimization tools; (xii) global risk models; (xiii) post trade transaction cost analysis services; and/or (xiv) research regarding the structure of markets, trading; strategies and the availability of securities and buyers and sellers of securities.

Bailard also receives brokerage services such as data transmission lines, and trade matching and allocation software used for settlement purposes.

Bailard intends that any use of soft dollars to pay for research and/or brokerage services fall within the safe harbor provided by Section 28(e) of the Securities and Exchange Act of 1934. Some of these research services are also used by Bailard for purposes that do not qualify for this safe harbor. For example, post trade transaction cost analysis services are used for compliance purposes (a non-qualifying purpose) as well as for assisting Bailard in the performance of its investment decision-making responsibilities. Bailard analyzes all mixed-use services to make a reasonable allocation of their costs between qualifying and non-qualifying uses, and directly pays for the non-qualifying portion of their costs.

The research and brokerage services received from brokers are used by Bailard to service accounts other than those that pay commissions to the broker-dealer providing the products or services. For example, it is expected that commissions attributable to clients of Bailard Institutional will generate substantially more soft dollar benefits than those attributable to accounts of clients of Bailard Wealth Management. However, since Wealth Management clients invest in affiliated private funds and three mutual funds managed by Bailard Institutional, these clients indirectly generate soft dollar commissions and benefit from the research and brokerage services purchased with those commissions.

From time to time, Bailard may receive unsolicited research from broker-dealers. However, it generally does not use this research. In addition, certain broker-dealers may provide other benefits to Bailard in connection with the brokerage services it provides. See Item 14 – Client Referrals and Other Compensation.

Directed Brokerage

Clients may instruct Bailard to use one or more particular broker-dealers in managing their accounts. Clients may benefit from such direction to use a broker-dealer that also serves as custodian of the client's assets because the custodian may waive certain of the costs associated with maintaining the portfolio if a sufficient number of securities transactions in the portfolio are effected by that custodian or one of its affiliates. Clients may specify whether a particular broker/dealer is to be used even though Bailard may be able to obtain a more favorable net price and execution from another broker-dealer in particular transactions. Clients who may be willing to direct the use of a particular broker-dealer for transactions should understand that such direction will prevent Bailard from effectively negotiating brokerage compensation on their behalf, that best execution may not be achieved, and a disparity in commission charges may exist between the commissions charged to other clients. In this case, Bailard also would not be able to aggregate orders with other clients. Priority in trading activity is normally given to block trades which are aggregated for the benefit of numerous discretionary client accounts not subject to directed brokerage instructions. Directed brokerage instructions may result in orders being placed for relatively small amounts of securities that do not allow for trading on a more favorable aggregate basis. Clients are encouraged to consult with Bailard in connection with non-discretionary or directed brokerage arrangements, because discretionary non-directed trading authority to the adviser may, in various circumstances, be a more cost effective and efficient alternative to be considered.

Allocation of Brokerage

Bailard has not made and will make no commitments to place orders with any particular broker or dealer or group of brokers or dealers. Annually, we project the amount of commission dollars we expect to generate in the course of a fiscal year, and via an internal allocation procedure, establish a budget of commission dollars to be directed to brokers providing us with research or brokerage services considered useful by Bailard's portfolio managers. However, no absolute dollar amounts are required to be able to provide the best price and execution. A substantial portion of brokerage commissions is paid to brokers and dealers who supply research and brokerage services to Bailard.

Aggregation of Trades

Portfolio transactions of numerous accounts may be aggregated based on concurrent authorizations to purchase or sell the same security for numerous accounts served by Bailard. Although such aggregations potentially could be either

advantageous or disadvantageous to any one or more particular accounts for any given transaction, Bailard only aggregates trades to the extent it believes that such aggregation will be in the best interests of the affected accounts and consistent with its duty to seek the best execution for client trades. Bailard has adopted a Trade Priority and Aggregation Policy (“Trade Policy”) which is designed to allocate trades in a manner that is fair and equitable allocation when trades are aggregated. The Trade Policy is attached to the back of this brochure as Exhibit I.

As noted in Item #4, Bailard has established an arrangement with FOLIO, a registered broker-dealer that is not affiliated with Bailard, whereby clients of Bailard would be offered the opportunity to open a brokerage account with FOLIO that is managed by Bailard on a fully discretionary basis. In addition to unaffiliated clients, Bailard, its affiliates and its employees (except a Portfolio Manager) and their immediate family members also may establish such accounts. Bailard will not favor one FOLIO account holder over any other or over any other client when allocating trades. In addition, because FOLIO bunches trades, submits trades twice per day and automatically averages stock prices, these arrangements do not present concerns about front-running or knowingly benefiting an employee or a particular client over any other client or employee. These accounts are not subject to the Trade Policy. Accordingly, Bailard may execute a securities transaction on the same day for any client, private or public fund it advises, and any of Bailard, its affiliates, eligible employees and their immediate family members who have opened a brokerage account with FOLIO and have entered into a MY-FLEX® or MY-KIN® Investment Advisory Agreement with Bailard.

ITEM 13 – REVIEW OF ACCOUNTS

Bailard Advisory Service

Account Reviews

Client accounts are reviewed by the client's Investment Counselor in the event of strategy changes. In addition, at least quarterly, Investment Counselors generally review:

- Asset allocation against the stated guidelines and objectives.
- Performance versus benchmarks.
- Securities not on our recommended list. We will make adjustments to portfolios where appropriate and/or note why the particular security is held.
- Cash needs.

Client accounts are also reviewed for administrative accuracy by an Investment Associate on a monthly basis.

In performing this review, the responsibilities of the Investment Associate include, but are not limited to:

- Reconciling accounts with bank and brokerage statements.
- Monitoring cash positions.
- Monitoring transactions initiated by Investment Counselors to make sure they are executed properly.
- Assistance with the implementation of strategy changes, as needed.

Our President, Chief Investment Officer and Chief Compliance Officer also perform an independent quarterly review of performance and asset allocation.

Reporting

Bailard Wealth Management generally provides formal quarterly reporting to clients, though there are a few who receive reports monthly. Quarterly reports include the following:

- A graphic and numeric depiction of asset allocation
- Quarterly, year-to-date, one year and since inception performance versus publicly available benchmarks on a portfolio and asset class level

- Summary of net additions/withdrawals and returns for the last four quarters and one year
- Summary of holdings including market value and cost basis
- Journals for additions, withdrawals, expenses, purchases, sales, dividends and income and realized gains and losses

We generally meet with clients in person semi-annually to review their portfolios, although there are clients with whom we meet more or less frequently, depending upon a particular client's needs and circumstances. A letter describing relevant market and economic events will accompany the quarterly report if a review is not done in person.

We also provide quarterly tax reporting to all taxable clients and (as requested by the client) to their accountants. Additionally, we produce an annual tax report for all taxable clients prior to the April tax deadline. This report is also sent to clients' accountants, per the clients' request.

Some Bailard client's reports are available via a secure website link on the Bailard website (www.bailard.com).

MY-FLEX[®] and MY-KIN[®]

Account Reviews

Client accounts are reviewed by the MY-FLEX[®] and MY-KIN[®] associate on an on-going basis, and for the following:

- Asset allocation against the stated guidelines, when implementing block trades
- Performance versus publicly available benchmarks, at least quarterly
- Cash needs, as required

Reporting

Reporting for these services is available predominantly through self direction on the custodian's website. Performance, transaction and tax information can be viewed daily. Bailard generally does not meet with clients in person though there are clients whom we meet with from time to time. On a semi-annual basis we provide a letter detailing personal performance.

Other Communications

Bailard publishes a number of other periodic communications, at no cost, to all Wealth Management clients:

- “The 9:05,” our quarterly newsletter outlining the general state of the economy along with Bailard’s economic forecasts. Specific asset class commentary and recommendations are also addressed here.
- Periodic communications published by Bailard Wealth Management, addressing financial planning issues and other topical items related to personal finance.
- Occasional research papers or market updates on various economic or investment subjects.

These documents may also be made available on Bailard’s website, www.bailard.com.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Other Compensation

As described above in Item 12 – Brokerage Practices, Bailard participates in Institutional Custody/Brokerage Programs sponsored by certain unaffiliated brokerage firms in which Bailard’s clients’ assets are custodied and their transactions are executed and/or cleared. By participating in these Institutional Custody/Brokerage Programs, Bailard receives economic benefits that are typically not available to retail investors who use the same broker-dealer. These benefits may include, but are not limited to, enhanced reporting, research related products and tools, enhanced technology features, access to a trading desk that exclusively services institutional brokerage group participants; access to block trading services which provide the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to consulting services; access to an electronic communication network for client order entry and account information; attendance at conferences; access to industry data; access to information regarding compliance, regulatory reporting and developments; access to funds and other products with discounted fee rates; and discounts on products or services provided by third party vendors. Some of the products and services made available through these programs may benefit Bailard but may not directly benefit its client accounts. Other products and services may assist Bailard in managing and administering client accounts (including accounts not maintained at the broker-dealers—such as T.D. Ameritrade, Inc.—that sponsor the Institutional Custody/Brokerage Programs). Although Bailard Wealth Management receives these benefits and executes trades for the client accounts through the broker-dealers that sponsor the Institutional Custody/Brokerage Programs, Bailard Wealth Management does not consider these benefits to be “soft dollar” benefits because the services are not provided in exchange for Bailard Wealth Management’s clients paying higher transaction commissions or fees than those obtainable from other brokers in return for similar services.

Referral Fee Arrangements

Bailard Wealth Management engages solicitors who refer clients to it. Bailard pays the solicitors an amount equal to a portion of the advisory fees it receives from the referred clients. The Bailard advisory fee paid by these clients is no higher than the fee payable by comparable new clients who were not referred to Bailard by the referral source. Referred clients receive a written disclosure document describing the referral arrangement. Bailard has adopted policies and procedures

to ensure compliance with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by law.

These arrangements may include referral agreements with the broker-dealers or custodians that Bailard recommends to its clients and uses to execute clients' brokerage transactions. For example, Bailard has entered into referral arrangements with Charles Schwab & Co., Inc. ("Schwab") a FINRA registered broker-dealer, member SIPC and with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade") whereby Bailard compensates Schwab and TD Ameritrade for referring clients to Bailard. The referrals are made by Schwab and TD Ameritrade through their proprietary services designed to help individuals or others identify professional investment advisers to manage their assets. The TD Ameritrade referral program is called AdvisorDirect and the Schwab program is called the Schwab Advisor Network ("SAN"). The on-going referral fees paid to TD Ameritrade are based on a percentage of the management fees payable to Bailard from such clients, not to exceed 25%. The referral fees ("Participation Fee") paid to Schwab are a percentage of the value of assets in the client's account, subject to a minimum Participation Fee. Schwab and TD Ameritrade are discount brokers independent of and unaffiliated with Bailard, and there is no employee or agency relationship between Bailard and either of these two firms. Schwab and TD Ameritrade do not supervise Bailard and have no responsibility for Bailard's management of client portfolios or Bailard's other advice or services.

Bailard's participation in these arrangements gives rise to certain potential conflicts of interest. For example, Bailard may have been selected to participate in these arrangements based in part on the amount of trading or client assets it maintains with the broker-dealer. Bailard does not, however, charge clients referred to it by Schwab or TD Ameritrade additional fees or expenses as a result of such referral. Nor do these arrangements affect Bailard's duty to seek best execution on behalf of its clients. As part of these arrangements Bailard may agree not to solicit clients to establish brokerage or custody accounts with other broker-dealers or custodians absent a fiduciary duty to do so.

Bailard may also pay a bonus to its employees who refer prospects who become clients of our firm.

ITEM 15 – CUSTODY

Bailard does not hold client funds or securities. Qualified custodians that are not affiliated with Bailard hold client funds and securities in safe-keeping for clients. These qualified custodians are typically banks or brokerage firms. Clients receive electronic or hard copy account statements directly from their qualified custodians at least quarterly. Clients may also receive account statements at least quarterly directly from transfer agents for interests in certain pooled investment vehicles (i.e., affiliated private funds or sub-advised mutual funds) that are not reflected on their custodian statements. Most clients also receive quarterly account statements from Bailard. We urge clients to compare the account statements they receive from qualified custodians and any transfer agent with the quarterly account statements they receive from us. Bailard may from time to time recommend custodians to clients. Investors in the affiliated private funds will receive a copy of each fund's annual audited financial statements.

ITEM 16 – INVESTMENT DISCRETION

Bailard generally has full discretion for the management of all Bailard Advisory Service, MY-FLEX® and MY-KIN® client accounts. This discretion is granted to us via the Investment Management contract signed at the beginning of the relationship. We have a very limited number of Bailard Advisory Service clients that have signed non-discretionary contracts and must be contacted in the event of any security purchase or sale or asset allocation change.

Client may place specific restrictions on the purchase or sale of securities, sectors, asset classes or industries. Where possible, we input the restrictions into our portfolio accounting system.

In some instances, such as special directed purchases, concentrated stock positions or low basis securities, Bailard may place a security in a non-billable category called "Special Assets". These assets require discussion with and consent from the client in order to transact.

ITEM 17 – VOTING CLIENT SECURITIES

Bailard has adopted proxy voting policies and procedures that we believe are reasonably designed to ensure that we vote proxies in the best interests of our clients. Bailard currently votes domestic and international stock proxies for accounts whose investment advisory agreement includes proxy voting service. The accounts for which Bailard votes proxies include, but are not limited to, the three mutual funds, our private affiliated funds, separately managed institutional accounts, MY-FLEX® accounts, MY-KIN® accounts, ERISA accounts and (unless otherwise directed) omnibus ballot accounts.

In seeking to avoid material conflicts of interest, we have engaged Glass Lewis, a third party service provider, to vote non-MY-FLEX® and MY-KIN® accounts in accordance with Glass Lewis's standard U.S. and international stock proxy voting guidelines. MY-FLEX® and MY-KIN® account proxies are voted by Bailard in accordance with Glass Lewis's proxy voting recommendations and guidelines. Bailard does not allow the option for clients to direct the votes in a particular solicitation.

Glass Lewis's proxy voting guidelines generally:

1. Seek to support Boards of Directors that serve the interests of shareholders by voting for Boards that possess independence, a record of positive performance, and members with a breadth and depth of experience;
2. Seek transparency and integrity of financial reporting by voting for management's recommendation for auditor unless the independence of a returning auditor or the integrity of the audit has been compromised;
3. Seek to incentivize employees and executives to engage in conduct that will improve the performance of their companies by voting for no abusive compensation plans (including equity based compensation plans, performance based executive compensation plans and director compensation plans);
4. Seek to protect shareholders' rights by voting for changes in corporate governance structure only if they are consistent with the shareholders' interests;
5. Vote against shareholder proposals affecting the day-to-day management of a company or policy decisions related to political, social or environmental issues.

In certain circumstances, Bailard may override Glass Lewis's recommendations.

For accounts that Bailard does not have the authority to vote proxies for, clients will receive their proxies directly from the custodian, transfer agent or the is-

suer's proxy solicitor. If clients have questions about a particular solicitation, they can send a letter to: Bailard, Attn: Proxy Department, 950 Tower Lane Suite 1900, Foster City, CA 94404.

The Bailard Proxy Voting Policies and Procedures Manual sets forth our proxy voting process in more detail. A copy of this manual is available to clients upon request. Moreover, if we are voting proxies on a client's behalf (including proxies voted by Glass Lewis), that client may ask us for information about how his or her securities were voted. To request a copy of our Proxy Voting Policies and Procedures Manual or information about how their securities were voted, clients should send a letter to: Bailard, Attn: Proxy Department, 950 Tower Lane Suite 1900, Foster City, CA 94404.

ITEM 18 – FINANCIAL INFORMATION

There is no financial condition that is likely to impair Bailard's ability to meet contractual commitments to our clients.

EXHIBIT I

TRADE PRIORITY AND AGGREGATION POLICY

Section 206 of the Advisers Act imposes a fiduciary duty on an investment adviser to act in the utmost good faith with respect to its clients, and to provide full and fair disclosure of all material facts. An advisor that aggregates client orders must do so in a manner consistent with its duty to seek best execution of the orders, and must ensure that all clients are treated fairly in the aggregation and allocation.

Bailard provides investment advice to a number of different types of clients, including individuals, employee benefit plans, foundations and endowments, private placements, pooled funds and registered investment companies. Bailard is obligated to seek best execution of all trades for all of its clients.

Bailard's clients can be either discretionary (accounts for which Bailard assumes full responsibility for investment decision-making) or non-discretionary (accounts for which the client plays some role in deciding whether or not to follow Bailard's investment advice). In addition, Bailard's clients can either choose to allow Bailard to select the brokers to be used or establish directed brokerage arrangements (where the client selects the broker to be used). Finally, some discretionary accounts may be complex and require additional review before trades can be executed. Most of Bailard's clients have chosen to be managed on a discretionary, non-directed basis. Bailard believes that this arrangement is usually in the best interests of its clients.

Generally, Bailard will place trade orders for discretionary accounts first, with discretionary non-directed accounts having priority over discretionary directed brokerage accounts. Bailard will then place trade orders for complex discretionary accounts and for non-discretionary accounts. Within this second group of accounts, non-directed accounts will once again have priority over directed accounts.

Bailard will typically aggregate or block mass buy and sell orders of the same stock or exchange-traded fund (ETF) for Bailard Advisory Service clients. Bailard will consider aggregating or blocking other stock trades for other clients (including mutual fund and private placement accounts) if:

- A. The Trading Desk knows about and receives the trade orders at the same time on the same day, and the common securities can be easily identified (i.e. are not buried in a list);

- B. It is appropriate to use the same broker to execute the trades and the blocking is operationally feasible; and
- C. Blocking the common securities is consistent with each account's investment strategy.

Bailard may seek to block Bailard Advisory Service bond buy or sell orders on a best efforts basis if conditions A to C above can be met.

As noted in Section 14 below, different procedures are used for blocking MY-FLEX and MY-KIN accounts custodied at Foliofn.

Bailard Advisory Service client accounts are held at a number of different bank and broker custodians, each of whom may custody multiple accounts. Bailard's trading department will follow procedures to ensure that the orders for these custodians are placed in a generally fair fashion. Currently, separate block orders are created for accounts custodied at banks, at Charles Schwab, and at TD Ameritrade. Priority in trading will be rotated among each of these three categories on a monthly basis. (The Trading Desk is responsible for maintaining a record of this rotation, which is reported to the Best Execution Committee on a regular basis.) However, in some instances, a custodian may not allow such aggregation to occur. In those cases, the blocked trade orders will be placed before the orders for the accounts at the non-participating custodian or custodians.

Bailard will aggregate client orders as follows:

1. Bailard has adopted this written policy for the aggregation of orders, which it will fully disclose on Form ADV to existing clients and separately to brokers.
2. Bailard will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek the best price) for its clients and is consistent with the terms of Bailard's investment advisory agreement with each client for which trades are being aggregated.
3. Bailard intends to treat all clients fairly. As noted above, priority in trading activity is normally given to discretionary accounts not subject to directed brokerage instructions. Each such client that participates in an aggregated order with a given broker will participate at the average share price for all Bailard transactions in that security with that broker on a given business day, with transaction costs shared pro rata based on each client's participation in the transaction. Directed brokerage accounts, non-discretionary accounts, and complex accounts may trade on an individual basis in amounts that do not allow for trading on a more favorable aggregate basis. If the trades for these accounts can be blocked, each such client that participates in the ag-

gregated order with a given broker will participate at the average share price for all Bailard transactions in that security with that broker on a given day, with transaction costs shared pro rata based on each client's participation in the transaction, except where transaction costs must be shared on a different basis pursuant to different commission levels negotiated by participating accounts. Clients are encouraged to consult with Bailard, Inc. in connection with directed brokerage, complex or non-discretionary arrangements, because discretionary, non-directed trading authority to the adviser allows us to act more quickly on our investment judgment and may, in various circumstances, be a more cost-effective and efficient alternative to be considered.

4. Prior to entering an aggregated order for a particular security, Bailard will prepare a written statement in the form of our portfolio account system's block printout (the "Allocation Statement"), specifying the participating client accounts and how it intends to allocate the order among those client accounts.
5. If an aggregated order is filled in its entirety, it will be allocated among all participating clients in accordance with the Allocation Statement. If the order to buy or sell a stock is not completely filled, the amount of the order filled will be pro-rated at the same average price over all the accounts listed on the Allocation Statement. When trade orders are allocated to individual accounts, the rounding feature of our portfolio accounting system's trade allocation function may result in certain accounts being allocated marginally more or less amounts than other accounts. For bond trades, if it is impractical to prorate a partial fill, Bailard may allocate full orders to some of the accounts on a "best fit" basis.
6. The order may be allocated on a basis different than Paragraphs 4 and 5 if (a) all clients receive fair and equitable treatment, (b) the reason for the different allocation is explained in writing, and (c) the explanation is approved in writing by the Chief Compliance Officer (or a delegate) before one hour after the open of the market of the trading day following the day the trade is executed.
7. All trade allocations for investment companies will be made by the end of the trading day. All trade allocations to other accounts will be made before the open of the market of the trading day following the day the trade is executed.
8. Bailard's books and records will separately reflect for each client account any orders which were aggregated.
9. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker/dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale on a delivery versus payment basis. Cash or securities

held for clients will be delivered out for deposit to the clients' accounts at the custodian bank or broker/dealer as soon as practicable following the settlement.

10. Bailard will receive no additional compensation as a result of the aggregation.
11. Individual investment advice and treatment will be accorded to each advisory client.
12. Bailard will review its aggregation procedures annually to assure that no account is being systematically disadvantaged by aggregation and will make corrective changes to its procedures, if appropriate.
13. Copies of Allocation Statements and records of deviations from the Allocation Statements (with the appropriate approvals) will be kept for five (5) years in an easily accessible place, the first two (2) years in the office of the advisor.
14. As disclosed in Form ADV, different procedures are followed for MY-FLEX® and MY-KIN accounts custodied at Foliofn.

In cases where orders of registered investment companies are to be aggregated with the orders of others, Bailard will submit its policies on aggregation to the Board of Directors or the Board of Trustees of the registered investment companies.

Trade Policy Considerations for Complex and Non-Discretionary Bailard Advisory Service Accounts

What are Trade Policies and Why are They Important? In our capacity as an investment advisor, Bailard regularly aggregates client orders for Bailard Advisory Service accounts that have the same trading relationships. This “blocking” or “bunching” of trades often results in lower transactions costs and better execution than individually placed orders because we can exercise more control over the timing of trades and because larger blocks of securities generally receive better pricing. The allocation of such aggregated orders is a very important part of the investment management process. We, as an investment advisor, have a fiduciary responsibility as mandated by the Securities and Exchange Commission to make sure clients understand how trades are allocated among our clientele. We would therefore like to take this opportunity to review our trade policy with you.

As noted in our Form ADV Part 2A Bailard Wealth Management Brochure, Bailard has adopted a Trade Policy to ensure that it will aggregate client orders in a manner consistent with its duty to seek best execution of orders. The policy is also designed to ensure that all clients are treated fairly in the aggregation and allocation of trades.

What Types of Restrictions Can Bailard Advisory Service’s Clients Place on Their Accounts? Clients may impose certain restrictions upon their accounts that impact how their trades will be allocated. For example, some clients may request that Bailard manage their accounts on a partially or fully non-discretionary basis, where Bailard must contact the clients for approval before placing some or all of the trades in their accounts. Similarly, some clients may have complex investment or operational restrictions that necessitate their accounts receive additional review before trades can be executed on their behalves. Finally, clients may select the broker to be used (a directed brokerage arrangement) rather than allowing Bailard to select the broker to be used (a non-directed brokerage arrangement).

What Impact Will These Restrictions Have Upon Trades in These Clients’ Accounts? Generally, Bailard will place trade orders for discretionary accounts first, with discretionary, non-directed brokerage accounts having priority over discretionary directed brokerage accounts. Bailard will then place trade orders for complex discretionary accounts and for non-discretionary accounts. Within this sec-

ond group of accounts, non-directed accounts will once again have priority over directed accounts. Complex and non-discretionary accounts may or may not be disadvantaged by the fact that their trades will lag the trades of discretionary, non-complex accounts.

What Does This Mean For Clients? Clients are encouraged to consult with Bailard about the impact complex account and non-discretionary arrangements will have upon the allocation of trades in their accounts. Ideally, we would prefer to manage accounts on a fully discretionary, non-complex basis. However, we recognize that many factors go into determining the appropriate arrangements for clients.